

ARIZONA ELECTRIC COOPERATIVES

Portfolio Percentage

Whether or not Arizona can and should increase its commitment to renewable energy by increasing the portfolio percentage. (I5)

Cooperative Position:

The Cooperatives are not opposed to increasing EPS surcharge to allow utilities to meet the existing required percentage of 1.1 percent. The Cooperatives have not had an opportunity to receive input from their Board of Directors regarding increasing the portfolio percentage and reserve the right to provide comments on this issue at some future date. The Cooperatives have received input on green programs and renewable energy generation from their member owners through customer surveys conducted in 2003 and Member Advisory Council meetings conducted over the past four years. We have concluded that some of our members are interested in a reasonable amount of green programs and renewable energy generation. However, our survey results also indicate that our customers are sensitive to the costs of green programs and renewable energy generation. In conclusion, our members believe the EPS surcharge and funding must be a reasonable amount.

Expiration Date

Elimination of the Environmental Portfolio Standard expiration date. (I2)

Cooperative Position:

The Cooperatives are not opposed to the elimination of the expiration date of the EPS currently contained in the EPS Rules.

Technologies & Mix

- Consideration of inclusion of new and emerging technologies as part of the review of the appropriate resource mix. (I7)
- Allocation of funding among various technologies. (I4)
- Review whether the approach of static percentages is still justified and if so, whether those percentages should be reconfigured, in the phase-in section of the rules in A.A.C. R14-2 1618 B. 3. (I6)

Cooperative Response: The Cooperatives believe that new and emerging technologies should be considered. However, they should be demonstrated to be effective and should provide the benefits of other established and effective renewables.

The Cooperatives generally support a broadening of the renewable technologies and the levels at which they qualify for the EPS. Different areas of the state, geographically and demographically, present different possibilities as to the viability of, for example, solar, biomass, wind or other technologies. They also will present different residential, commercial or industrial business applications for what may or may not be feasible. As well, different utilities have different resource mixes and needs to meet varying load characteristics. The current static percentages on solar and all other renewables do not accommodate these differences or permit making the most efficient choice for the circumstances.

Funding Issues

- A discussion of increasing Environmental Portfolio Standard funding levels. (I1)
- Whether or not Arizona can and should increase its commitment to renewable energy by increasing the surcharge. (I5)

Cooperative Response: Refer to the Cooperatives' response in the Portfolio Percentage section. The Cooperatives are not opposed to increasing EPS surcharge to allow utilities to meet the existing required percentage of 1.1 percent. In addition, the Cooperatives would recommend that the Arizona Corporation Commission conduct a state-wide survey to determine the amount that customers are willing to pay to support EPS programs.

- Restoration Of demand Side Management Funding (I3)

Cooperative Response: Arizona's electric cooperatives, as consumer-owned, consumer-controlled, not-for-profit utilities, are committed to providing their member owners with information and programs that encourage and facilitate the efficient use of energy. We also foster opportunities for savings and the reduction of environmental impacts. To that end, all

Arizona distribution cooperatives now offer one or more such programs.

It is the position of Arizona's electric cooperatives that, should the Arizona Corporation Commission establish Demand Side Management programs as the public policy of the State of Arizona, the following positions should be included in that policy:

- DSM programs should be goal driven, representing a mix of both energy and capacity savings.
- DSM programs should have flexibility in program design to allow each utility to select the most advantageous mix of programs for their particular service area.
- Any DSM program established by the Arizona Corporation Commission (ACC) should be flexible enough to allow both distribution cooperatives and generation cooperatives to fund and offer appropriate programs.
- Any DSM program established by the ACC should provide a funding source sufficient to ensure the success of all utilities, without the deferral of revenue recovery to future years.
- Neither AEPCO nor its five Arizona distribution cooperative members have a Systems Benefit Charge (SBC) approved by the ACC that could be used as a funding mechanism for DSM programs. Only SSVEC has an approved mechanism built into its rate structure for the recovery of such program costs. Thus, a mechanism for recovering DSM program should be established for the distribution cooperatives.
- DSM funding must pay for 100 percent of the cost of the programs established, including the cost of labor.
- The ACC and its staff should encourage the Arizona Legislature to enact similar programs for non-regulated utilities to encourage a uniform public policy for the entire state.

- No DSM programs should be implemented by any regulated utility until all utilities have approved programs.
- Navopache Electric Cooperative, Inc. (“Navopache”) has a SBC that has been approved by the ACC. Navopache currently has pledged 100 % of the funds collected from the SBC and the EPS Surcharge for repayment of the loan for its EPS program from its lender, the Rural Utilities Services (RUS). Any DSM programs that would be mandated by the ACC in the future would require funding in addition to the amount Navopache currently collects through the SBC and EPS Surcharge.

Discussion of Other Issues

Cooperative Response: The Arizona Corporation Commission should support legislation that requires municipal and all other energy providers in the state of Arizona to meet similar EPS percentages and requirements.